

Department of Energy



PEC Preplanning Workshop Competitive Sourcing – **Done Right**

“DOE Program Status and Feasibility Reviews”

Office of Competitive Sourcing/A-76 (ME-2.1)

Denny O'Brien (202-586-1690)

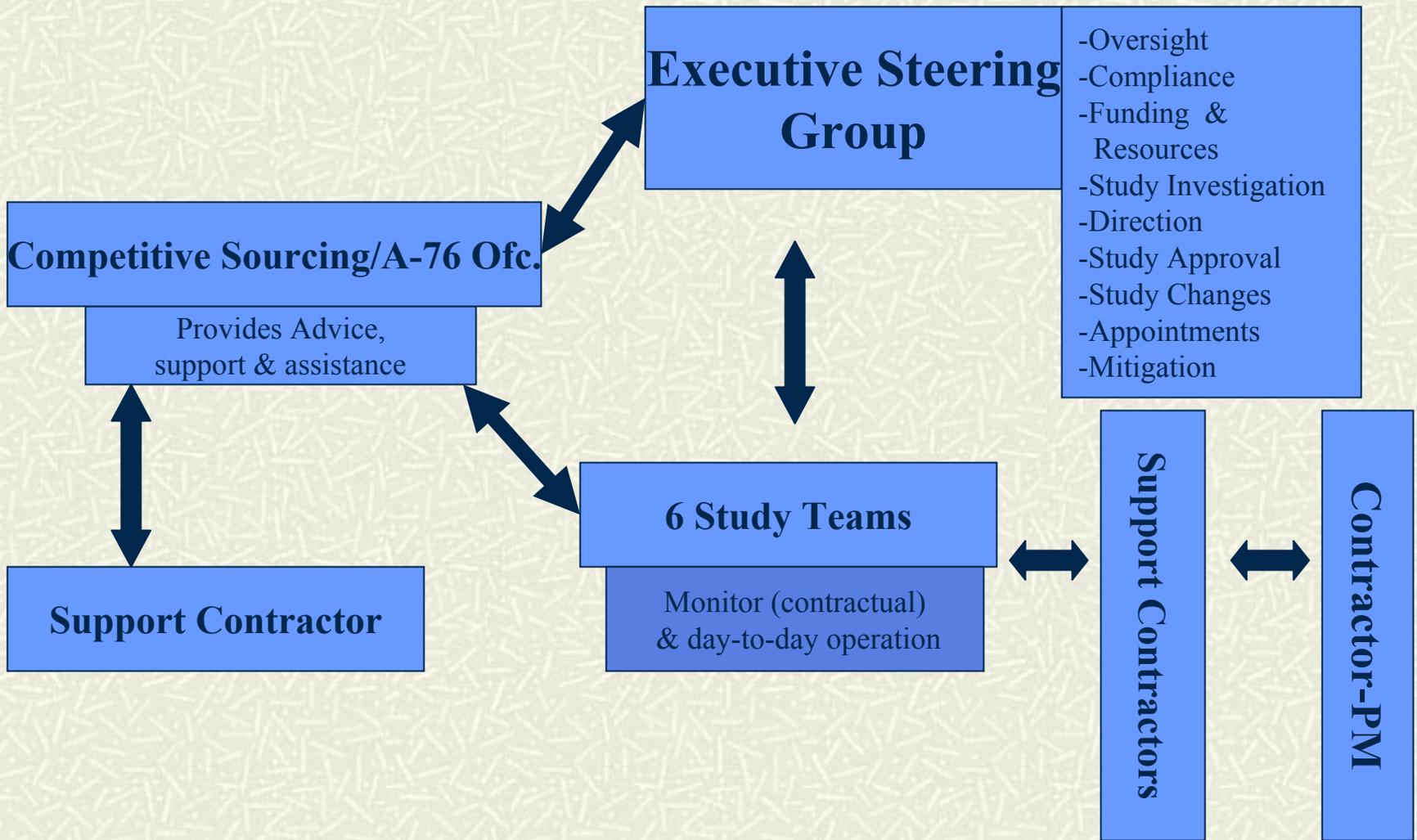
July 21, 2004

DOE Program Status

Executive Steering Group (ESG)

- **Advise the Secretary on what is necessary to accomplish the Department's and the President's Competitive Sourcing Goals**
- **Members**
 - **Deputy Secretary of Energy**
 - **Director, Office of Management, Budget and Evaluation/CFO**
 - **Under Secretary of Energy, Science and Environment**
 - **Under Secretary for Nuclear Security**
- **Advisors**
 - **The General Counsel**
 - **Director, Public Affairs**
 - **Assistant Secretary for Congressional and Intergovernmental Affairs**
 - **National Representatives**
 - **American Federation of Government Employees**
 - **National Treasury Employees Union**

Operational Roles



FY 02/03 Functional Area Studies

FUNCTION	TEAM LEAD	POSITIONS	LOCATIONS (HQ/Field)
Information Technology	Rosita Parkes, CIO	642 FTE 1000+ Contractor	14/19
Human Resources, Training	Claudia Cross, ME	145 FTE	24/19
Financial Services <i>Performance Decision Made</i>	Helen Sherman, ME	159 FTE 22 Contractor	1/13
Logistics (NNSA)	Brian Costlow, ME	76 FTE	1/4
Logistics (DOE)	Brian Costlow, ME	144 FTE	2/8
Graphics <i>Performance Decision Made</i>	Brian Costlow, ME	13 FTE	1/0
Civil Rights Reviews (Streamlined) <i>Performance Decision Made</i>	Frank Beserra, ED	8 FTE	1/0
TOTAL		1187 FTE 1022+ Contractor	

FY 02/03 Study Status

- **Graphics (13 FTE) full cost comparison study completed under *old* Circular**
 - **Won by DOE Most Efficient Organization (MEO) Team – *estimated savings \$700K per year* (Study cost \$195K)**
- **Civil Rights Review (8 FTE) streamlined study completed under *revised* Circular-FSS**
 - **Won by contractor – *estimated savings \$251K per year* (Study cost \$114K)**
- **Financial Services (159 FTE, 22 Contractor FTE) standard competition completed under *revised* Circular using Cost technical tradeoff/best value (CTTO)**
 - **Won by DOE MEO – *estimated savings \$31M/5yr* (Study cost \$2.2M)**

FY 02/03 Study Status

- **Logistics - NSSA (76 FTE)-FSS**
 - **Won by DOE ATO/MEO Team-estimated savings \$6M/5yr**
- **Human Resources - Training (145 FTE)-CTTO**
 - **tentative decision September, 2004**
- **Logistics - DOE (144 FTE)-FSS Pilot**
 - **tentative decision August, 2004**
- **Information Technology (642 FTE, 1000+ Contractor)-CTTO**
 - **tentative decision, 2nd quarter FY05**

Department of Energy

What's Next?

FY 04 Feasibility Reviews
(Incorporate Lesson Learned)

FEASIBILITY REVIEWS

ARE NOT

A-76 STUDIES/COMPETITIONS

Why Feasibility Reviews ?

- Requirement of Revised Circular
- The Feasibility Review is a tool for pre-announcement A-76 study planning, which establishes logical study parameters and a solid foundation for executing an A-76 study
- The Feasibility Review presents a full set of recommendations on the scope of the study, mission impacts and risks, the estimated savings, study type and proposed timeline
- The result of the Feasibility Review is a blueprint for the subsequent A-76 study and a plan of action to execute the study
- This blueprint and the plan of action will enable DOE to maximize savings and streamline execution of A-76 studies
- This pre-announcement planning is important because shorter A-76 study timelines are implemented by the new Circular

Feasibility Review

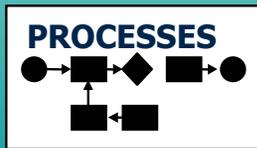
Candidate Nominating Criteria

➤ **Nominations are based on the following criteria:**

- **Candidates coded as commercial activities**
(FAIR Act Inventory Reason Codes A-F)
- **Considered mission impact**
- **Candidates can be competed as a *business unit* and not a collection of independent positions**
- **Candidates appear to be functions easily obtained from the private sector**
- **Shared responsibility throughout DOE in Competitive Sourcing Program**

PHASE I

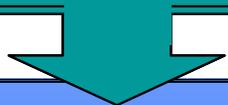
Feasibility Process



+



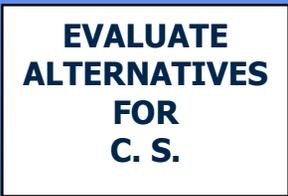
=



+



+



=



PHASE II

**Roles &
Responsibilities**



+



+



+

**POA&M &
Training Plan**



=

**STUDY
PLANNING**



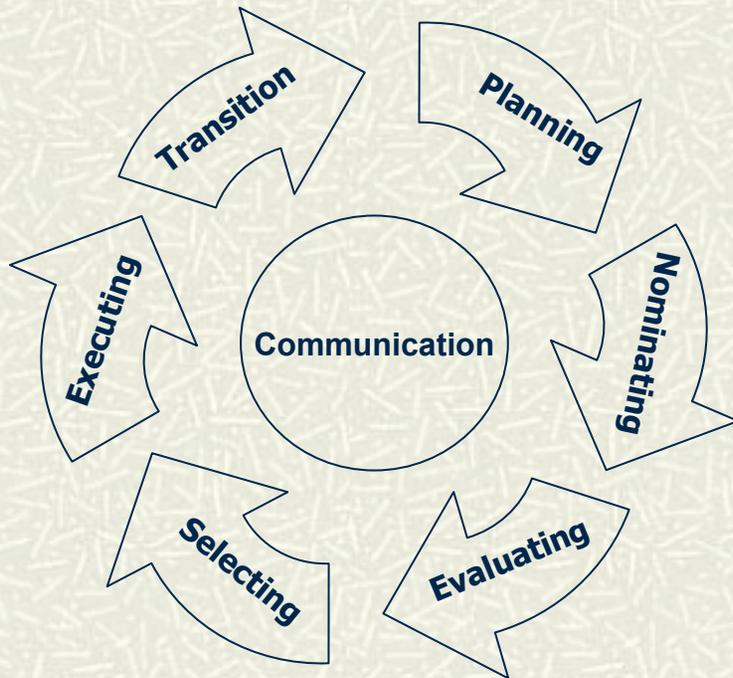
**Data Collection
Plan**

**Communications
Plan**

**DOE PUBLIC
ANNOUNCEMENT**



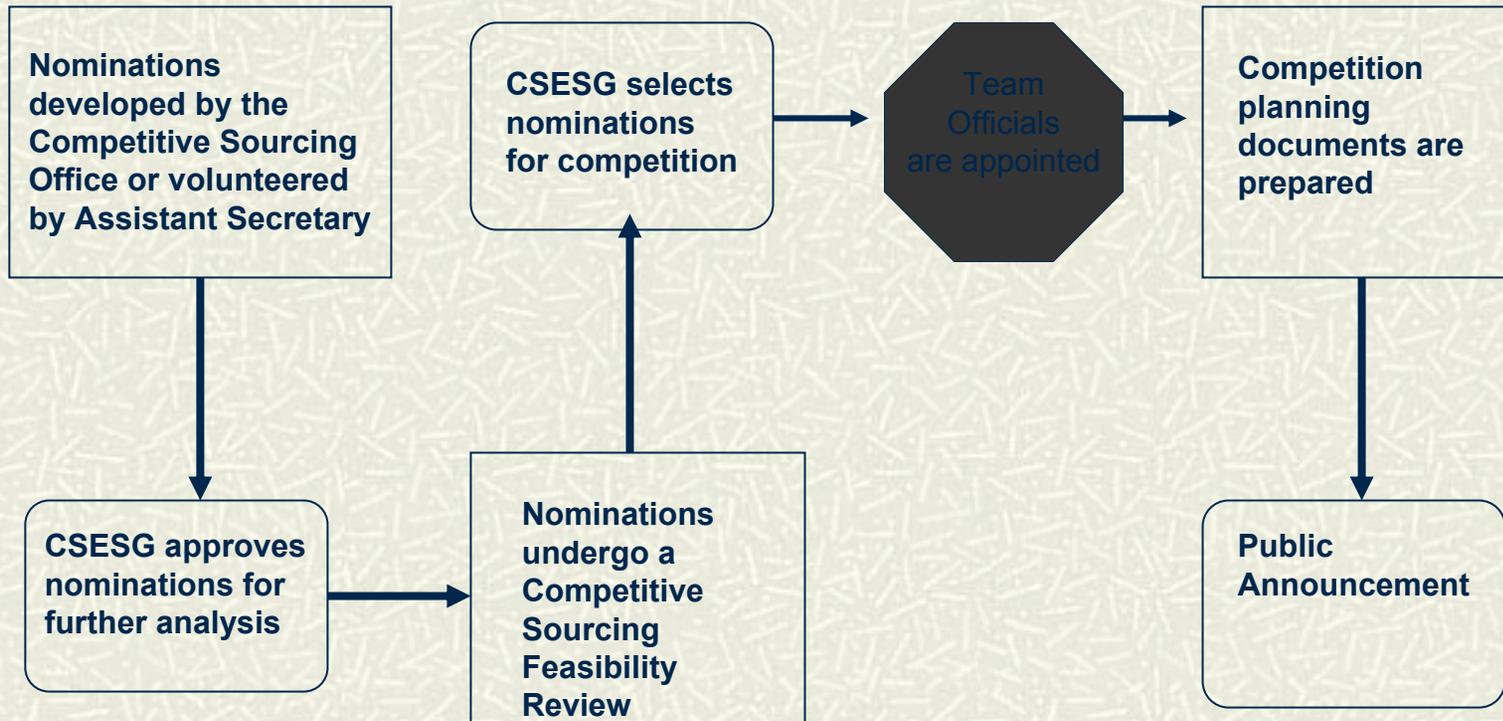
Nominating Approach



Competitive Sourcing Life Cycle

- Reviewed FY 03 FAIR Act inventory and identify support functions that could be competed Department wide on their own merit, e.g., HR, Finance and Accounting, Safety and Procurement
- Review the inventory and identify large concentrations of functions within a program that might be competed e.g., engineering services within EE
- Review the inventory and identify functions at sites that might be competed e.g., support services at HQ

Preliminary Planning Process



Feasibility Review Process

- **Planning Phase**
- **Pre-competition Phase**
 - **Validate nominations, market research, identify potential costs, savings and risk from potential competition**
- **Management Decision**
- **Competition Planning Phase**
 - Will be carried out only if competition is selected*
 - **Appointment of Functional Team Leads, CS Officials, Team Members**
 - **Schedules and plans for carrying out the competition are developed**
 - **Teams are trained in the process**
 - **Prepare to make public announcement**

Preliminary Planning Roles and Responsibilities

Executive Steering Group (ESG)

- **Approves nominations from the Competitive Sourcing Office for commitment to the feasibility Review process**
- **Reviews and decides upon the recommendations submitted by the feasibility teams.**

Roles and Responsibilities

Director-Competitive Sourcing Office

- **Provides the CSESG with feasibility review nomination recommendations**
- **Provides strategic oversight and serves as liaison between the CSESG and the components impacted by the feasibility studies.**

Roles and Responsibilities

Feasibility Review Project Manager

- **Receives overall direction from the Director of the Office of Competitive Sourcing regarding conduct of the studies**
- **Works with the Contractor Program Manager, and Feasibility Team Leaders to determine optimal key resource requirements and their project parameters**
- **Conducts direct, frequent communication with the Team Leaders to monitor performance of Projects**
- **Maintains and ensures implementation of the Feasibility Plan of Action and Milestones**
- **Receives draft and final deliverables for review and comment**
- **Ensures timely formal submission of all required reports and deliverables for presentation to the CSESG**

Roles and Responsibilities

Feasibility Review Team Lead

- **Manage the team's milestones and deliverables**
- **Participate in semi-monthly meetings with the Project Manager**
- **Coordinate participation of all Team Members in respect to project planning and execution, deliverable inputs, and logistics**
- **Develop Action Task Plans for the review team**
- **Track the hours for all team members and travel dollars spent (if applicable)**
- **Ensure all members, including self, sign a non-disclosure statement**
- **Evaluate between review scope, technology, and implementation plans and the corresponding Program mission, objectives, and policies**
- **Assess technical feasibility of proposed recommendations**
- **Determine reasonableness and realism of costs data**

Roles and Responsibilities

Team Members

- **Teams will be made up of both Federal and contractor personnel whose primary responsibilities are to:**
 - **Fully participate in the Feasibility Review**
 - **Provide timely inputs to deliverables**
 - **Complete duties as assigned by the Functional Team Lead**
 - **Sign a DOE Non-disclosure Agreement**

Feasibility Review Advisors

- **Budget Advisor** – provide oversight on the development of the costs/savings related to the business case analysis
- **Human Resource Advisor** – provide oversight on the development and analysis of workforce data related to the feasibility review

Pre-Competition Phase

➤ Tasks

- Determine Scope of Competition
- Analysis and Validation of Functions
- Assess Availability of Workload Data and Systems
- Develop Work Breakdown Structure
- Perform Market Research
- Determine Baseline Costs
- Determine Potential Savings
- Determine attributable costs
- Estimate Implementation Costs
- Determine Return on Investment
- Recommend Type of Potential Competition
- Determine Risk Associated with the Competition
- Recommendation to include alternatives for other Management Improvement efforts

Determine Scope

- **The scoping process clearly identifies what functions and positions will be included and ensures that these make sense from the perspective of the business unit**
- **The scope of the competition must be accurately defined in order to ensure a successful competition that yields the greatest savings to the taxpayer**
 - **Obtain organizational charts for all of the positions included in the nomination**
 - **Identify functions performed by these positions and determine which functions are appropriate for competition**
 - **Determine whether elements of these functions are performed by other positions which have not been included in the nomination**
 - **Determine points at which these functions interact with positions outside of the scope; evaluate these related positions and activities for potential inclusion**

Analysis & Validation of Functions

- **A well scoped and grouped competition should be set up according to the business unit and should include applicable support activities, not just the positions within the “primary” function**
- **“Cross-functional” competitions which take one discreet function from a number of business units and locations are often unsuccessful because the positions can not work together to create efficiencies based on the functions they support**
- **Ensure that the scope of the competition has been setup as a business unit; include all supervision, administrative and other support, and related tasks and functions where possible**

Assess Availability of Workload Data and Systems

- **Determine whether workload data exists in any records or system**
 - **Product or service logs**
 - **Work orders**
 - **Job data tracking system products**
 - **Job, task, or organizational audits**
 - **Job Data Collection Systems**
- **If workload data does not exist, assess whether such data could be collected during PWS development**
 - **Implementation of a work tracking system**
 - **Establish self reporting mechanisms or log books**
 - **Establish management reports**
 - **Implement Time Studies**

Work Breakdown Structure

- **A work breakdown structure should be created that documents in outline format how the high level tasks are organized within the function being competed**
- **The work breakdown structure should document three levels of tasks performed**
- **Function Being Competed (Level 1)**
 - **Tasks/Organizations (Level 2)**
 - **Subtasks (Level 3)**

Perform Market Research

- **A successful competition must have bidders from the private sector and/or other federal agencies against which the Agency Tender can compete**
- **Use market research to assess whether private sector and/or other federal agency entities exist which would be willing and able to bid on the proposed competition**
- **Market research may help to verify that the work being competed does constitute a coherent business unit; does the proposed scope match up to the way the private sector is organized to perform this work?**
- **Determine if there have been any other public/private competitions involving this function**
- **Identify any industry standards that might be associated with the function**

Determine Baseline Costs

- **COMPARE Costing software will be used to compute the baseline costs identified in OMB's generic cost comparison form (CCF)**
- **Baseline costs, as required by OMB Circular A-76, enable the agency to estimate potential savings through competitive sourcing**
- **Calculations for Baseline Costs for public-private competitions include:**
 - **Personnel Costs**
 - **Material and Supply Costs**
 - **Other Specifically Attributable Costs**
 - **Overhead Costs**
 - **Additional Costs**
- **Calculations for Baseline Costs Estimates may not include:**
 - **Retained rate of basic pay for civilian employees**
 - **Costs for conducting the competitions**
 - **Costs for Agency Separation Incentive Programs used to preclude involuntary separations resulting from reductions in force (RIF)**

Determine Potential Savings

- Each team will need to estimate the potential savings that could result from competition based on predicted staffing and equipment, as well as historical competitive sourcing results
- Potential savings should take into account changes in the following:
 - Personnel Costs
 - Material and Supply Costs
 - Other Specifically Attributable Costs
 - Overhead Costs
 - One-Time Conversion Costs
 - Gain on Assets
 - Benchmarked savings from the competition of similar functions
- Potential Savings are not immediately available, and may only be realized after one or more years

Determine Attributable costs of Potential Competition

- **The cost of competition includes both financial and time expenditures, and may include the following costs:**
 - **Consultant Support Costs**
 - **Government Staff Participation Costs, to include travel and training**
 - **Consultant Contract Administration Costs**

Implementation Costs

- **Regardless of who wins the competition, it is likely that the government will have to pay some personnel related implementation costs for the competition.**
- **We must take into account the following costs:**
 - **Stand-Up MEO Costs**
 - **Service provider staffing**
 - **Personnel relocation costs**
 - **Computer hardware costs**
 - **Leased space costs**
 - **Furnishings and miscellaneous costs**
 - **Other Costs**
 - **Residual organization**
 - **Retention allowances**
 - **Early-out/buy-out costs**
 - **RIF costs**
 - **Contract Termination costs**
 - **Protest costs**
- **Congress and the Color of Money**

Determine Return on Investment

- **Potential savings must be greater than the cost of competition to result in a positive return on investment**
- **The government may see a return on its investment resulting from:**
 - **Reduced Costs (e.g., personnel, equipment, facilities, etc.)**
 - **Increased Efficiency**
 - **Improved Quality of Performance**
 - **Consolidation of Functions**
 - **Elimination of unnecessary tasks**

Determine Type of Competition

- **Standard Competition**: The government employees compete against eligible contractors to retain responsibility for providing the service. Source selection may be low cost or best value. 12-18 month time limit.
- **Streamlined Competition**: The estimated cost of the government employees' current organization or MEO competes against the estimated cost of private sector performance for similar services. No 10% conversion differential is applied. Low cost wins. 90-135 day time limit. (<65 FTE)

Determine Risk Associated with Competition

- **Identify risk associated with the recommended competition**
 - **Complexity**
 - **Time**
 - **Impact of the workforce**
 - **Operational Considerations**
 - **Conflicting agendas**
 - **Low ROI**
 - **Political impacts**
 - **Does not make good business sense**

Competition Planning Documents

- **Data Collection Plan**
- **Training Plan**
- **Communications Plan**
- **Plan of Action & Milestones (POAM)**
- **Roles and Responsibilities Document**

Data Collection Plan

- **The Data Collection Plan outlines the data elements, data collection deadlines, methodology, time spans for historical data, and individuals responsible for data collection**
- **The Data Collection Plan should consider the following information**
 - **Personnel**
 - **Operations**
 - **Financial**
 - **Materials and Supplies**
 - **Capital Facilities**
 - **Capital Equipment**
 - **Routine Workload**
 - **Special Tasks**

Training Plan

- **The training plan provides the following:**
 - **Training requirements by position and individuals:**
 - **Competition Officials**
 - **Team Training**
 - **Workforce Orientation**
 - **Senior Leadership Training**
 - **Sources of training**
 - **External**
 - **Internal - Overview**
 - **Just-in-Time**
 - **Acts as a source document for monitoring progress of training**

Communications Plan

- **The Communications Plan**
 - **Identifies key stakeholders (internal and external) and their specific information needs**
 - **Advocates use of proven and effective communication practices**
 - **Includes communications schedule**
 - **Assigns responsibilities for specific actions**
 - **Addresses special considerations (e.g., unions)**
 - **Considers conflict of interest, non-disclosure, and ethics issues during all communications; including specific prohibitions of communications**
 - **Provides guidelines for support consultants' role in communications**
 - **Ensures consistency with organizational guidelines**
 - **Strives for clarity of presentation**

Plan of Action & Milestones (POA&M)

- **The POA&M identifies key actions and deliverables, timeframes for start and completion, and responsible parties throughout the competition**
- **Timeframes must align with established OMB guidelines for standard and streamlined competitions**
- **Functions as a source document for tracking progress of the competition**
- **Serves as a planning document as changes to timeframes occur during the competition**

Feasibility Review Report

➤ Recommendations

➤ No Competition

➤ Standard Competition: The government employees compete against eligible contractors to retain responsibility for providing the service. Source selection may be low cost or best value. 12-18 month time limit.

➤ Streamlined Competition: The estimated cost of the government employees' current organization or MEO competes against the estimated cost of private sector performance for similar services. No 10% conversion differential is applied. Low cost wins. 90-135 day time limit. (<65 FTE)

➤ Other Management Tools: Reorganization, Business Process Re-engineering, in-sourcing, etc...

For Further Information

- www.ma.mbe.doe.gov/a-76
- **“Hot Line” 202-586-1761**
- **Email: a76@hq.doe.gov**
- **Competitive Sourcing/A-76 Office**
 - **Denny O’Brien (202-586-1690)**
 - **Mark Hively (202-586-5655)**
 - **Steven Apicella (202-586-4071)**
 - **Robin Topolski (202-586-8829)**